



SUSAN COMBS, COMMISSIONER

TEXAS DEPARTMENT
OF AGRICULTURE

P.O. Box 12847

AUSTIN, TEXAS 78711

(512) 463-7476

Tex (512) 463-1104

FOR THE HEARING IMPAIRED:

1-800-735-2988 (VOICE)

1-800-735-2989 (TDD)

www.agr.state.tx.us

May 22, 2006

Docket Clerk

Fruit and Vegetable Programs, Agricultural Marketing Service

U.S. Department of Agriculture

1400 Independence Avenue, SW. Stop 0243

Washington, D.C. 20250-0243

RE: Docket Number FV06-1290-1 PR, Specialty Crop Block Grant Program;
Notice of Request for Approval of a New Information Collection

Dear Sir or Madam:

Thank you for the opportunity to comment on the U.S. Department of Agriculture Agricultural Marketing Service (USDA-AMS) proposed regulations to administer the Specialty Crop Block Grant Program. The Texas Department of Agriculture (TDA) looks forward to developing projects under this program to enhance markets and opportunities for Texas specialty crops. We respectfully submit the following comments.

Definition of "enhancing the competitiveness of specialty crops": As market globalization continues, it is increasingly difficult for U.S. specialty crops to compete in the world market. We define "enhancing the competitiveness of specialty crops" as increasing consumer awareness of products, exploring and implementing value-added options for increased profitability and market share and empowering producers to compete effectively in a global market. The ultimate goal is to increase U.S. consumption of domestic specialty crops and break down phytosanitary and trade barriers to allow these crops to enter additional foreign markets.

Definition and use of outcome measures: In several projects, outcome measures could be found through buyer surveys, producer surveys and consumer surveys. The resulting measures could be number of companies reporting increased sales and number of web site hits. The ability to use a portion of the block grant funds to partner with an independent economic analyst would be beneficial to determine the most appropriate and objective measures for each project.

Purpose of funds under this program, Section 1290.1 reference to the terms and conditions of 7 CFR part 3016: Since we are a state agency, Office of Management and Budget Circular A-87 governs the cost principles allowable under this regulation for administrative requirements for grants and contracts. Unless the federal award specifically allows public relation costs related to marketing and promotional items, these are not allowable costs. Because these items are an integral part of enhancing the competitiveness of specialty crops, we would like clarification to ensure that these costs are covered under the intent of the award.

Crop priority: Section 1290.4 (a) gives priority to fresh specialty crop projects. This priority is not consistent with the definition of specialty crops which includes dried fruits. All products in the definition of specialty crops should be given equal priority for funding.

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leader in agriculture, while
promoting excellence in
children's nutrition, rural
economic development and
providing efficient and
extraordinary service.*

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Total award amount: The Specialty Crops Competitiveness Act of 2004 provides for a base grant of \$100,000 to each of the states and an additional block grant based on the value of specialty crop production in the state. As the application process proceeds, it will be beneficial if each state knows the total amount (base grant and value of production grant) it is eligible to apply for. This will enable states to better plan projects and facilitate completion of the application process.

Administrative expenses: Section 1290.6 (iv) describes the requirement to detail budget estimates for each project including administrative expenses. However, there is no mention of the percentage of the grant amount allowable for administrative expenses. If AMS has a set limit, this amount should be detailed in the final rule.

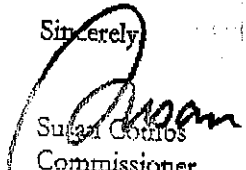
Multi-state partnerships: Texas currently participates in several multi-state partnerships to market products to foreign markets through the Southern United States Trade Association and USDA Foreign Agriculture Service and would be interested in developing similar projects under Section 1290.6 (x) provisions. Additional information is needed to clarify that these funds can be spent on projects in foreign markets to enhance the competitiveness of our specialty crops.

Review of applications: Section 1290.7 describes that applications will be reviewed and approved for conforming to conditions listed in Section 1290.6. From these proposed rules, it is our understanding that if an application is complete and conforms to the requirements in Section 1290.6, the projects will be funded. If AMS will be using additional criteria in reviewing applications, we request these criteria be made available to the states during the application process. As the statute designates the amount that can be given to each state, it should be guaranteed that each state receives its share as long as it completes the application process. If a certain project does not fit the criteria, an appeals process should be in place to assist the state in receiving the funds. If any state does not apply for its full amount of funding, we request the remaining funds be redistributed to the amount available for the value of production grants.

Audit requirements: The requirement put forth in Section 1290.10 for states to have an audit of expenditures in accordance with government auditing standards (the yellow book) places an undue and unneeded burden on the states. The yellow book establishes the standards by which an audit of federal funds is to be conducted. OMB Circular A-133 determines when an audit is appropriate. Further, an audit requirement would require the agency to hire an independent auditor since the yellow book standards do not consider the internal auditor to be independent. This expense could significantly reduce the amount of money remaining for the projects. The amount of monies the states will receive individually will probably never approach the threshold for a Type A program. We understand the need to monitor program costs, but we would request states submit a detailed expenditure report for review purposes.

In closing, I appreciate the opportunity to comment on this proposed rule. I would urge AMS to make these grants to the states under regulations that provide flexibility to the state departments of agriculture to carry out the program based on the unique needs and priorities of the specialty crop industry in each state. Texas looks forward to working with USDA through this process to assist our specialty crop industry. Please do not hesitate to contact me if I can provide further information.

Sincerely,


Susan Cochran
Commissioner

SC/cd